

Message Text

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ACTION ARA-10

INFO OCT-01 AF-06 EUR-12 EA-07 NEA-10 ISO-00 ERDA-05

AID-05 CEA-01 CIAE-00 CIEP-01 COME-00 DODE-00 EB-07

FEAE-00 FPC-01 H-02 INR-07 INT-05 L-03 NSAE-00 NSC-05

OMB-01 PM-04 USIA-06 SAM-01 OES-03 SP-02 SS-15 STR-04

TRSE-00 PA-01 PRS-01 /126 W
----- 114287

R 182159Z AUG 75

FM AMEMBASSY CARACAS

TO SECSTATE WASHDC 9860

INFO AMEMBASSY BEIRUT

AMEMBASSY JAKARTA

AMEMBASSY JIDDA

AMEMBASSY KUWAIT

AMEMBASSY LAGOS

AMEMBASSY LIMA

AMEMBASSY LONDON

AMEMBASSY PORT OF SPAIN

AMEMBASSY QUITO

AMEMBASSY TEHRAN

AMEMBASSY TRIPOLI

AMEMBASSY VIENNA

AMCONSUL DHAHRAN

USMISSION OECD PARIS

C O N F I D E N T I A L CARACAS 8549

E.O. 11652: GDS

TAGS: ENRG, VE

SUBJECT: VENEZUELAN VIEWS ON PETROLEUM PRICE ADJUSTMENTS

SUMMARY: VENEZUELAN OPEC GOVERNOR ALBERTO FLORES TOLD EMBASSY

ECON COUNSELOR AUG 15 THAT VENEZUELA IS AMONG COUNTRIES

FAVORING A "MODERATE" INCREASE IN PETROLEUM PRICES IN OCT.

MAIN VENEZUELAN CONCERN, APPARENTLY, IS TO ADJUST FUEL OIL PRICES

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TO MORE COMPETITIVE LEVEL. END SUMMARY.

1. IN CONVERSATION AUG 15 WITH VENEZUELAN OPEC GOVERNOR ALBERTO FLORES, ECON COUNSELOR REFERRED TO RECENT PRESS REPORTS OF STATEMENTS BY SHEIK YAMANI AND ASKED WHETHER VENEZUELA SHOULD BE CLASSIFIED AMONG "HARD LINE" OR "MODERATE" OPEC MEMBERS WITH RESPECT TO PETROLEUM PRICE INCREASE. FLORES REPLIED THAT VENEZUELA FAVORS MODERATE "ADJUSTMENTS" IN PRICES WHICH WILL NOT COME ANYWHERE NEAR OFFSETTING THE IMPACT OF INFLATION ON OPEC COUNTRIES. WHEN ASKED IF HE WOULD HAZARD A GUESS CONCERNING THE ACTUAL INCREASE FOR CRUDE OIL PRICES, FLORES SUGGESTED THAT AN INCREASE OF 80 CENTS TO ONE U.S. DOLLAR PER BARREL MIGHT BE FORTHCOMING.

2. FLORES CONFIRMED THAT THE GOV IS GREATLY CONCERNED THAT CURRENT PRICES FOR VENEZUELAN FUEL OIL ARE NOT SUFFICIENTLY COMPETITIVE. HE ADMITTED FRANKLY THAT THE GOV HAD DONE A "BAD JOB" OF SETTING PRODUCT PRICES IN JAN, A MISTAKE THAT WOULD HAVE TO BE CORRECTED AT THE FIRST OPPORTUNITY.

3. FLORES COMMENTED THAT PROGRESS MADE IN RESCHEDULING THE PARIS PRODUCER/CONSUMER DIALOGUE EXERCISED AN IMPORTANT MODERATING INFLUENCE ON OPEC VIEWS REGARDING PRICE ADJUSTMENTS. COMMENT. THE EMBASSY VIEWS THE GOV'S "MODERATION" ON PRICE ADJUSTMENTS AS REPORTED BY FLORES WITH SOME SKEPTICISM. THERE IS NO DOUBT, HOWEVER, THAT THE GOV IS SERIOUSLY CONCERNED THAT ITS FUEL OIL AND OTHER PRODUCTS ARE OVERPRICED RELATIVE TO CRUDE OIL AND THAT THE GOV WILL ATTEMPT TO CORRECT THIS IN THE NEXT OPEC ROUND OF PRICE INCREASES, PROBABLY BY MAINTAINING PRODUCT PRICES AT PRESENT LEVELS AND ADJUSTING CRUDE PRICES UPWARDS.
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